

THE VILLAGE OF ALMONT



2011 CITIZEN'S GUIDE TO LOCAL FINANCES

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WELCOME

Greetings.

Welcome to the 2011 Citizen's Guide to Local Finances for the Village of Almont. As a governmental entity, we continually strive to provide a transparent and responsive government operation and are pleased to present this report to you. This report contains information relevant to the Village's revenues, expenditures, unfunded liabilities, and long-term debt obligations. It is our hope that our residents will find this information useful. Questions concerning this guide may be directed to Village Manager Oliver Turner or Clerk/Treasurer Sally McCrea at (810) 798-8528.

Council President – Steve Schneider

Council President Pro-Tem – Tim Dyke

Council Member – Rick Lauer

Council Member – Dave Love

Council Member – Gary Peltier

Council Member – Rick Tobias

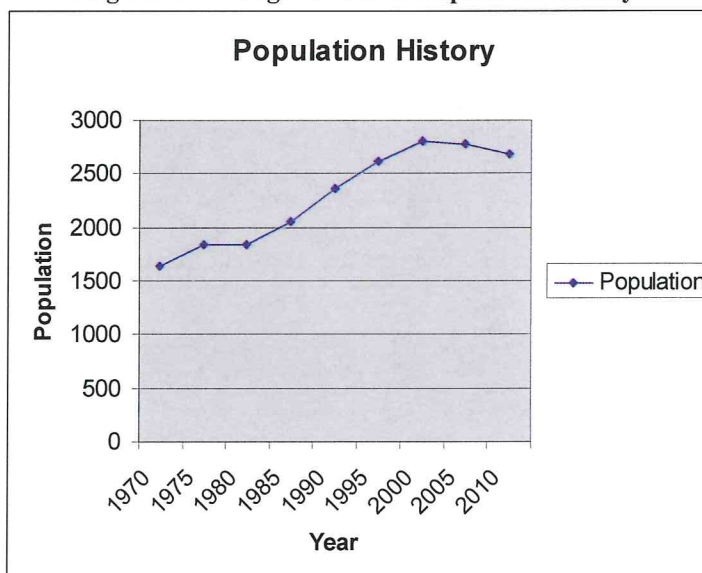
Council Member – Tom Umphenour

BASIC CENSUS DATA INFORMATION FOR THE VILLAGE

Historical Population of the Village

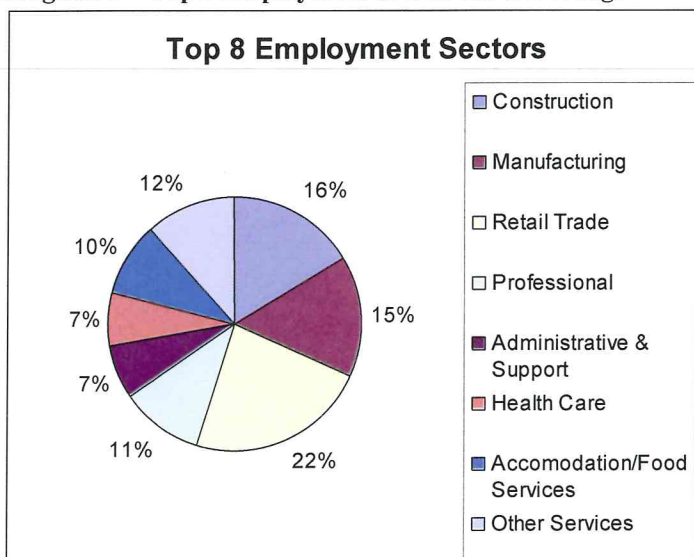
Population within the Village gradually increased between 1970 and 2000 but began to decrease between 2000 and 2010 as a result of the widespread economic stress experienced by the State of Michigan. It is expected that any future growth of the population of the Village would be commensurate with any economic recovery experienced within the State of Michigan.

Diagram 1 – Village of Almont Population History



Employment within the Village

Diagram 2 – Top 8 Employment Sectors for the Village



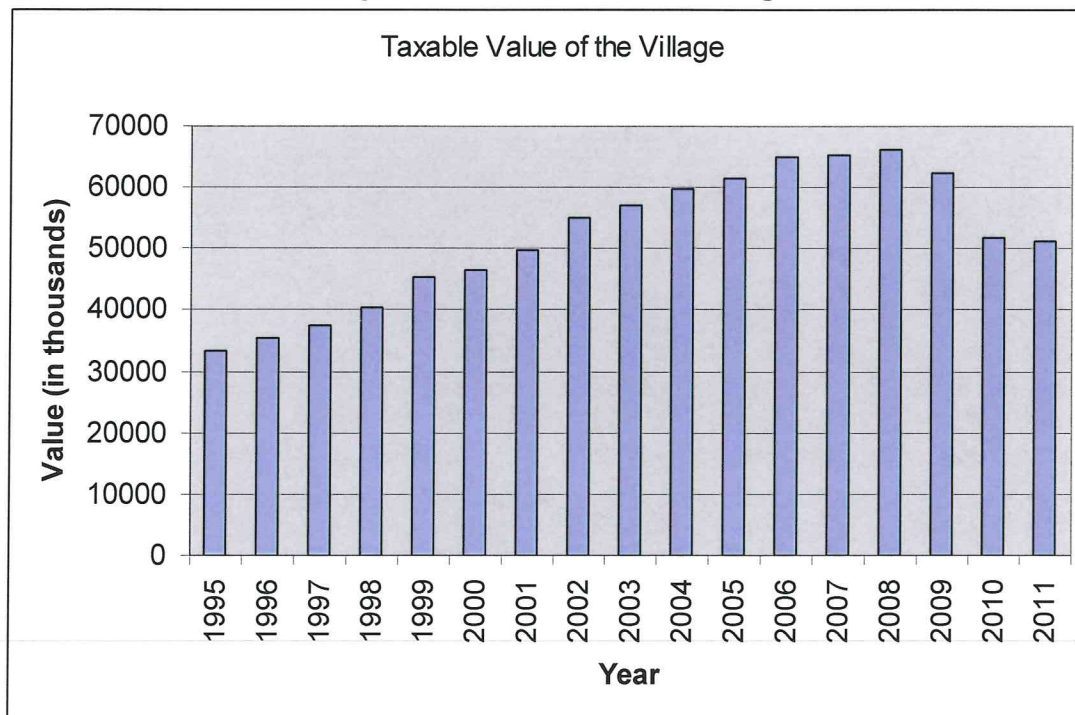
According to the U.S. Census Bureau, the top 8 employment sectors for the Village of Almont in 2010 included construction, manufacturing, retail trade, professional services, administrative and support services, health care services, accommodation and food services, and other services. As the possibility for an improved economic climate increases, the Village of Almont is seeking to further diversify this economic base.

BASIC FINANCIAL INFORMATION OF THE VILLAGE

Taxable Value of the Village

The taxable value of the Village steadily increased between 2000 and 2008 but decreased significantly (22.5%) between 2008 and 2011. This decreased in the taxable value of the Village has caused it to employ fewer full time employees and focus primarily on providing the core services of government rather than expanding its recreation and culture programs or committing local matching funds to state and federal grants. Diagram 3 below displays the taxable value of the Village between 1995 and 2011.

Diagram 3 – Taxable Value of the Village



Established Rates and Fees for the Village

Drinking Water Revolving Fund Millage Rate – This rate produces revenues that are collected in order to pay back the bonds which were issued in 2007 for the construction of the Village's water tower. The rate is currently 2.58000 mills.

Garbage Collection Fee – This fee produces revenues that are used to pay Richfield Equities for the collection of garbage as well as to provide for the administration of the program. The current garbage collection fee is \$164.88 for every 12 months of service.

General Fund Millage Rate – The current general operating millage rate is 13.5670 mills. This rate produces revenues which are used to finance central municipal operating activities as well as public safety services and administrative services. It represents the largest portion of the Village's total government funds.

Sanitary Sewage Overflow (SSO) Rate – This rate produces revenues that are collected in order to pay back the bonds which financed the 2002 Wastewater Treatment Plant improvement project. This project resulted in the construction of four (4) 500,000 gallon equalization basins. The current SSO rate is \$2.52 per 1000 gallons of water used.

Sewer Rate – This rate produces revenues which are collected in order to pay for the operating expenses associated with the sanitary sewer system and the operation of the wastewater treatment plant. The current sewer rate includes a fixed charge of \$25.00 per quarter as well as a consumption charge of \$7.23 per 1000 gallons.

Water Rate – This rate produces revenues which are collected in order to pay for the operating expenses associated with the delivery of water from the Detroit Water & Sewerage District to the Village of Almont as well as all appropriate costs related to the operation of the water system. The current water rate includes a fixed charge of \$25.00 per quarter as well as a consumption charge of \$4.75 per 1000 gallons.

Water Supply System Improvement Millage Rate – This rate produces revenues that are collected in order to pay back the bonds which financed the 1996 Water Supply System improvements that strengthened the water system of the Village. The current rate levied for the repayment of these bonds is 1.75500 mills.

SERVICES OFFERED BY THE VILLAGE

The revenues collected from the above mentioned millage rates and fees support several basic services offered by the Village. These services include:

- Police protection and law enforcement services
- Economic development services
- Infrastructure development and maintenance and snow removal
- Refuse collection and curbside recycling
- Brush and leaf pick-up services
- Park facilities, programs, and services
- Water and sewer service delivery

REVENUES

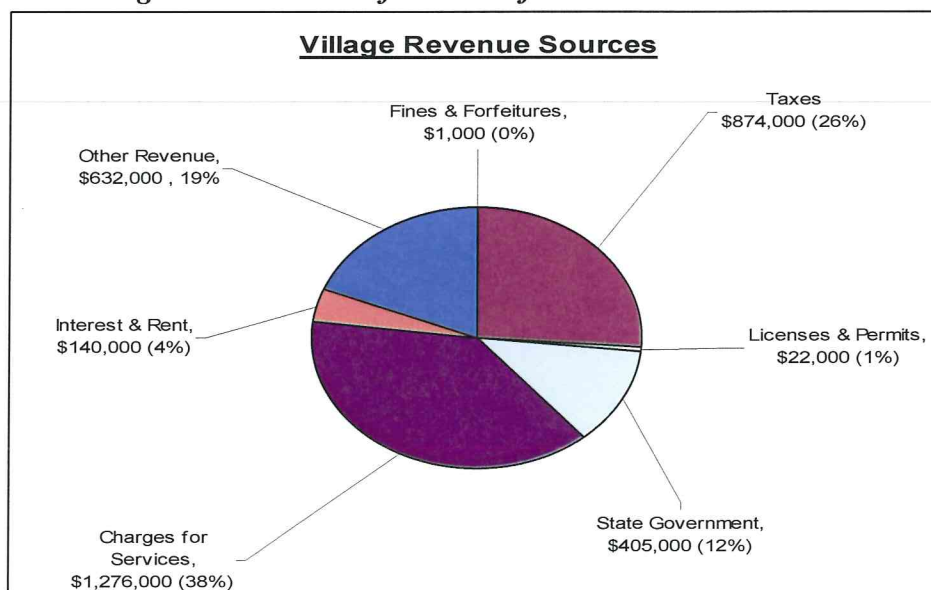
The Village of Almont collects revenues from a wide variety of sources. A summary of these sources is listed below in Table 1. This table displays the revenues collected for both the 2008 – 2009 fiscal year as well as the 2009-2010 fiscal year.

Table 1 – Recent Revenue History (Represented in Thousands of Dollars)

	<u>2009</u>	<u>2010</u>	<u>% change</u>
Taxes	\$ 946	\$ 874	-8%
Licenses & permits	21	22	5%
from State Govt.	446	405	-9%
Charges for services	1,284	1,276	-1%
Fines & forfeitures	7	-	N/A
Interest & rent	168	140	-16.7%
Other revenue	393	632	61%
Total	<u>\$ 3,265</u>	<u>\$ 3,349</u>	3%

Table 1 shows that incomes have decreased as the taxable values of the properties within the Village have decreased and state shared revenue funding from the State of Michigan has been gradually decreased. The significant difference between other revenues between 2009 and 2010 resulted from the sale of fixed assets during the 2010 fiscal year for a total amount of \$125,291.00. Diagram 4 below offers a visual depiction of the revenues collected for the 2009-2010 fiscal year. As will be noted, services charges (which include revenues collected through the Village's police contract with the Village and water and sewer user fees) account for the largest revenue sources of the Village.

Diagram 4 –Sources of Revenue for 2009-2010 Fiscal Year



REVENUE HISTORY

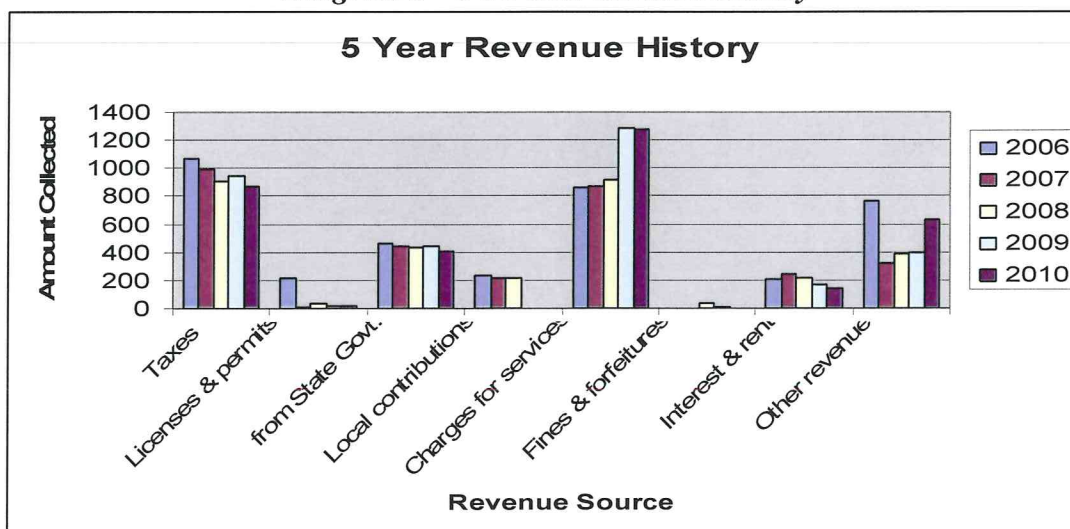
As demonstrated below in Table 2, a number of these revenue sources have gradually diminished over the course of the economic recession, which has affected the amount of revenues collected through property taxes and has placed increasing pressure on the State of Michigan to reduce the amount of funds it distributes to the Village in the form of state shared revenue funding.

Table 2– Five (5) Year Revenue History

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Taxes	\$1071	\$995	\$912	\$946	\$874
Licenses & permits	220	13	39	21	22
from State Govt.	465	440	435	446	405
Local contributions	238	221	220	0	0
Charges for services	862	871	918	1284	1276
Fines & forfeitures	0	0	36	7	0
Interest & rent	210	242	221	168	140
Other revenue	<u>764</u>	<u>319</u>	<u>389</u>	<u>393</u>	<u>632</u>
Total	<u>\$3,830</u>	<u>\$3,101</u>	<u>\$3,170</u>	<u>\$3,265</u>	<u>\$3,349</u>

As Table 2 also demonstrates, the amount collected through interest and rent has decreased as the economic climate has diminished the returns available on such investments. The significant decrease in other revenues between 2006 and 2007 stemmed from the fact that there was \$589,434 transferred into Village revenues as a result of the Village constructing its water tower. Diagram 5 offers an alternative depiction of the five year history of Village revenues.

Diagram 5 – Five Year Revenue History



REVENUE ON A PER CAPITA BASIS

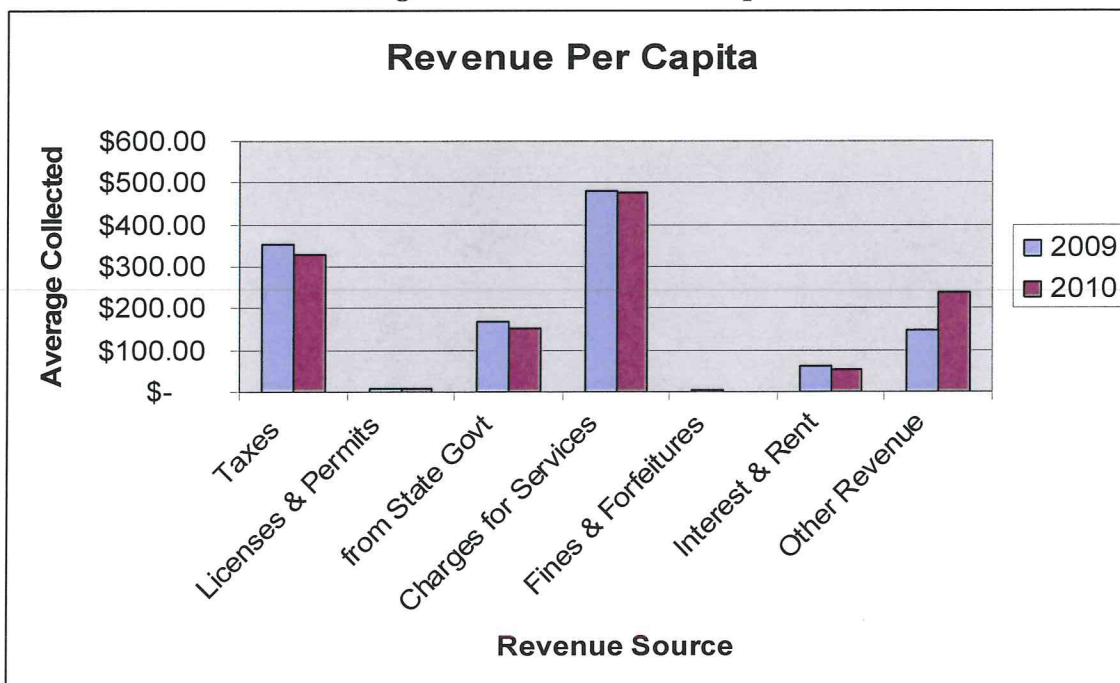
Table 3 analyzes these revenues on a per capita basis. Essentially, this table displays the amount of revenue collected for each specific income source for every individual living within the Village for the 2008-2009 and 2009-2010 fiscal years.

Table 3 – Revenues Collected Per Capita

<u>Revenue Source</u>	<u>2008-2009</u>	<u>2009-2010</u>
Taxes	\$353.78	\$326.85
Licenses/Permits	\$7.85	\$8.23
State Government	\$166.79	\$151.46
Service Charges	\$480.18	\$477.19
Fines/Forfeitures	\$2.62	\$0.00
Interest/Penalties	\$62.83	\$52.36
Other Revenues	\$146.97	\$236.35

Diagram 6 offers an alternative depiction of the per capita revenue collection for the Village of Almont and the changes in collection between the 2008-2009 fiscal year and 2009-2010 fiscal year.

Diagram 6 – Revenues Per Capita



DIRECTION OF REVENUES INTO MUNICIPAL FUNDS

Upon collection, these revenues are directed toward several different funds which finance various and distinct functions of the Village government and in some cases are restricted for legislatively specified uses. Table 4 below displays each of these funds as well as relevant financial data pertaining to each fund:

Table 4 – Financial Position of Each Fund
(Includes Governmental, Debt Service, and Enterprise Funds)

Fund	Fund Balance (7/1/2011)	Estimated Income	Estimated Expenses	Primary Sources of Revenue
General	\$60,800	\$1,713,928	\$1,652,938	Property Taxes, Police Contract, Garbage Collection Fees
Major Streets	\$51,974	\$111,282	\$122,098	State Road Funding
Local Streets	\$157,722	\$94,770	\$133,761	State Road Funding
Water Tower Debt Service	\$3,095	\$131,193	\$124,080	Property Taxes
Water System Improvement Debt Service	\$25,277	\$89,242	\$85,415	Property Taxes
WWTP Improvement Debt Service	\$84,590	\$182,505	\$173,273	SSO Charges
Building Inspection	\$5,233	\$21,059	\$21,059	Permits
Sewer Fund	\$74,166	\$486,371	\$432,951	User Fees
Water Fund	\$8,985	\$388,485	\$388,000	User Fees
Equipment Fund (Internal Service Fund)	\$185,825	\$118,000	\$175,093	Internal Service Charges

EXPENDITURES

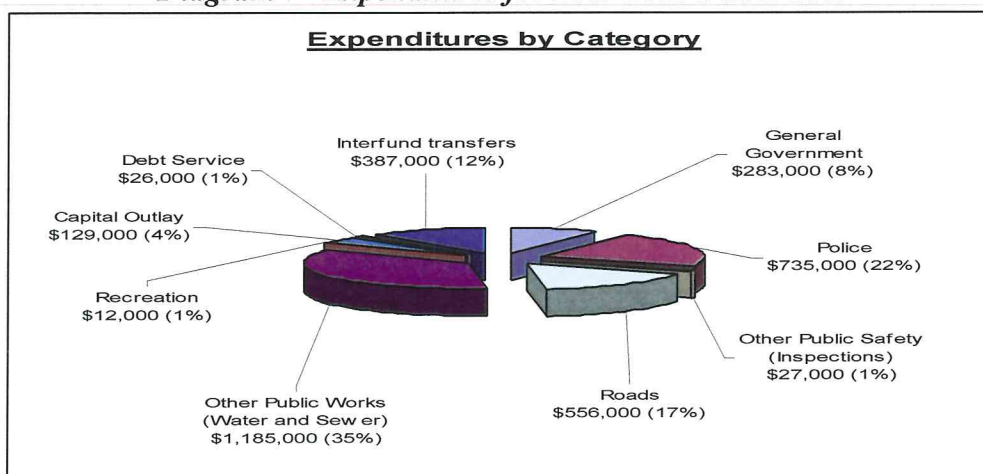
Revenues are collected in order to fund a wide variety of activities performed by the Village. A summary of these expenses is listed below in Table 5. This table displays the expenditures incurred during the 2008-2009 and 2009-2010 fiscal years by category.

Table 5 – Recent Expenditure History (Represented in Thousands of Dollars)

	<u>2009</u>	<u>2010</u>	<u>% change</u>
General government	\$ 340	\$ 283	-17%
Police	746	753	1%
Other public safety	19	27	42%
Roads	604	556	-8%
Other public works	1172	1185	1%
Recreation & culture	10	12	20%
Capital outlay	101	129	28%
Debt service	349	263	-25%
Interfund transfers (net)	206	387	88%
total expenditures	\$ 3,547	\$ 3,595	1%

The large difference between general government expenditures between 2009 and 2010 are due to the fact that the Village needed to purchase generators for its lift stations in 2009, a very costly process. Interfund transfers represent money that is designed from one fund to cover expenses in another fund. For example, the Village contributed \$21,073 during both 2009 and 2010 from its general fund for its municipal building debt service fund. Diagram 7 offers a visual depiction of the expenses incurred by the Village during the 2009-2010 fiscal year and offers an aid by which residents can judge the proportion of revenues utilized for each purpose.

Diagram 7 –Expenditures for 2009-2010 Fiscal Year



EXPENDITURE HISTORY

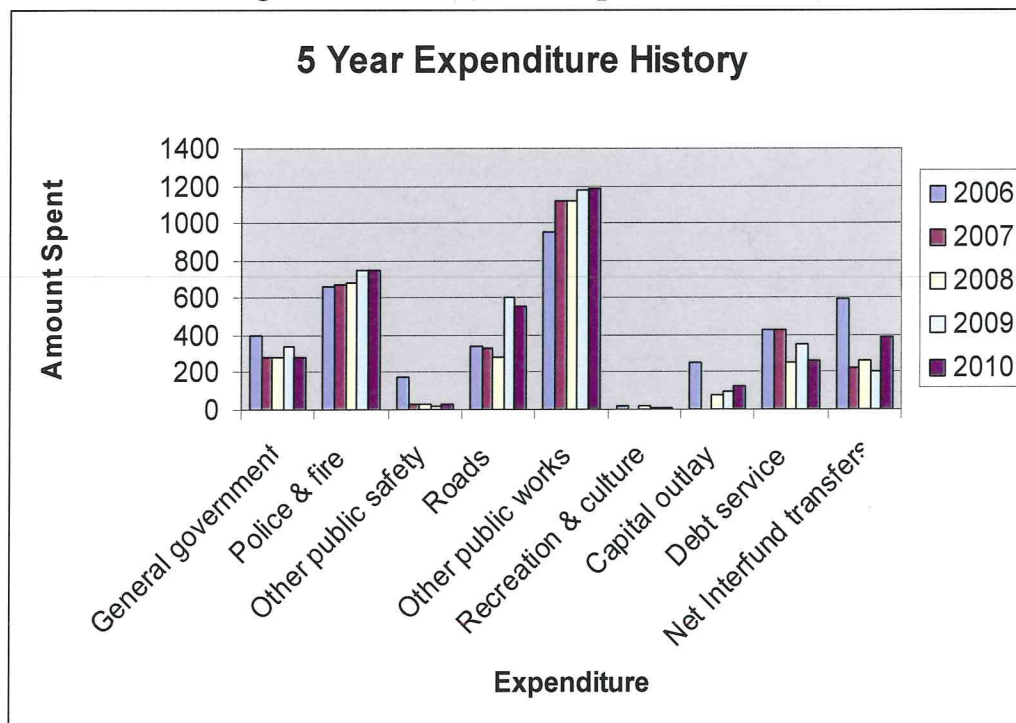
As demonstrated below in Table 6, these expenditures have largely decreased throughout the past two years, with the exception of police expenditures (the increase of which is covered through a public safety grant).

Table 6 – Five (5) Year Expenditure History

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General government	\$402	\$283	\$280	\$340	\$283
Police	665	674	676	746	753
Other public safety	178	27	25	19	27
Roads	342	330	285	604	556
Other public works	954	1116	1119	1172	1185
Health & welfare	160	0	0	0	0
Community development	0	9	0	0	0
Recreation & culture	15	0	23	10	12
Capital outlay	253	0	75	101	129
Debt service	426	424	252	349	263
Net Interfund transfers	<u>590</u>	<u>227</u>	<u>263</u>	<u>206</u>	<u>387</u>
total expenditures	<u>\$3985</u>	<u>\$3090</u>	<u>\$2998</u>	<u>\$3547</u>	<u>\$3595</u>

Diagram 8, displayed below, offers an alternative depiction of these expenditures.

Diagram 8 – Five (5) Year Expenditure History



EXPENDITURES ON A PER CAPITA BASIS

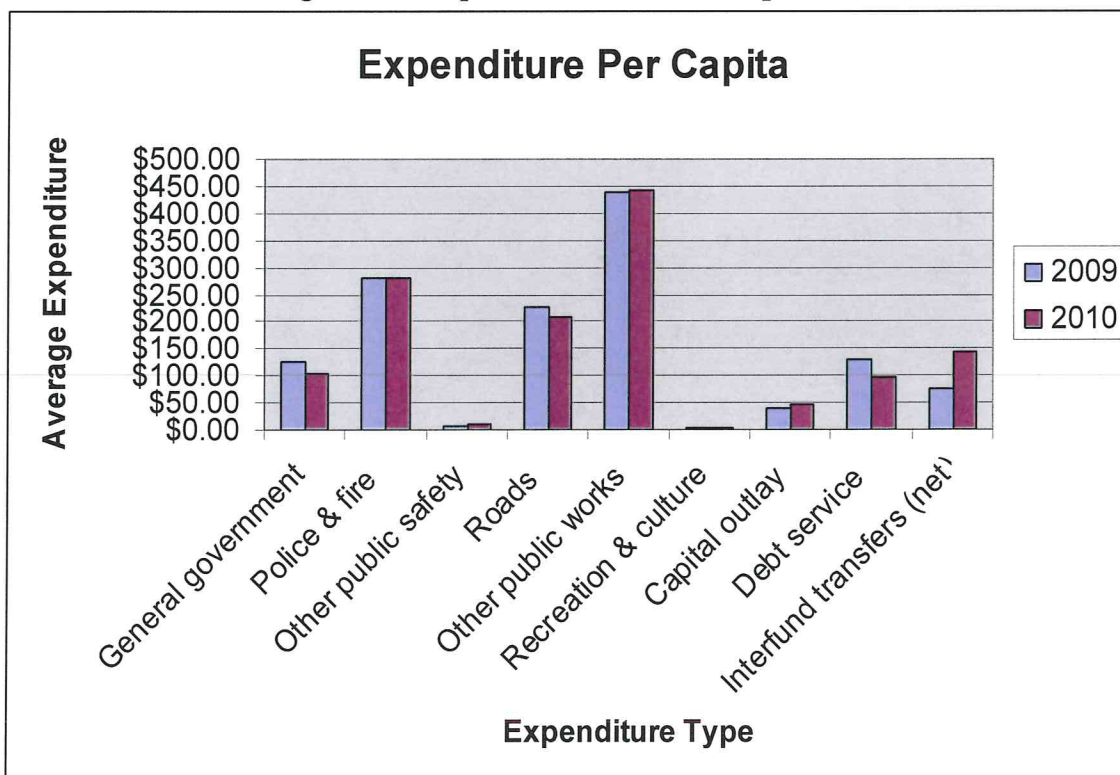
Table 7 analyzes these expenditures on a per capita basis. Essentially, this table displays the expenses incurred for each major operating category for every individual living within the Village for the 2008-2009 and 2009-2010 fiscal years.

Table 7 – Expenses Incurred Per Capita

Category	2008-2009	2009-2010
General Govt.	\$127.15	\$105.83
Police Protection	\$278.98	\$281.60
Other Public Safety	\$7.11	\$10.10
Roads	\$225.88	\$207.93
Other Public Works	\$438.29	\$443.16
Recreation/Culture	\$3.74	\$4.49
Capital Outlay	\$37.77	\$48.24
Debt Service	\$130.52	\$98.35
Inter-fund Transfers	\$77.04	\$144.73

Diagram 9 offers an alternative depiction of expenditures on a per capita basis for the Village of Almont.

Diagram 9 – Expenditures on a Per Capita Basis



OPERATING SHORTFALLS AND TOTAL FUND BALANCES

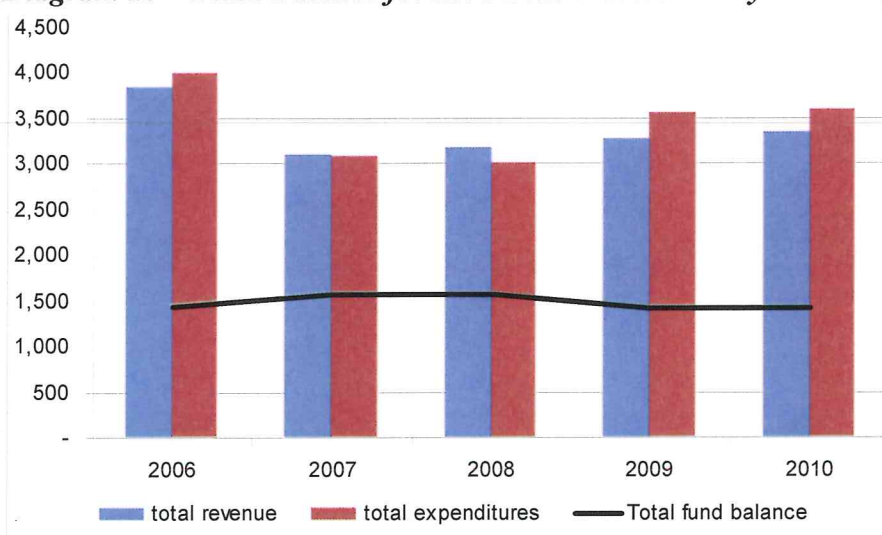
Listed below in Table 8 is an overall summary of the operating shortfalls from the 2008-2009 and 2009-2010 fiscal years. The majority of these operating shortfalls for the 2009-2010 fiscal year occurred in the Village general fund (-\$166,902), and the water and sewer funds (-\$62,195).

Table 8 – Year to Year Comparison of Overall Fund Balance

	<u>2009</u>	<u>2010</u>	<u>% change</u>
Revenue	3,265	3,349	3%
Expenditures	3,547	3,595	1%
Surplus (shortfall)	(282)	(246)	-13%

In managing local finances, it is critical for the Village to maintain an appropriate “fund balance”. This fund balance represents a type of reserve of assets that can be drawn upon to defray operating shortfalls. In order to prevent future shortfalls from placing the Village in a situation in which it incurs debt and puts itself at risk for the appointment of an emergency financial manager, the Village Council recently increased the general operating millage rate from 12.5670 mills to 13.5670 mills and increased both the water and sewer rates. These increases will assure that the Village meets its financial obligations to investors who have financed capital infrastructure projects while continuing to provide seamless police protection and public works services. The black line that runs across Diagram 10, displayed below, indicates the fund balance for all of the funds maintained by the Village of Almont.

Diagram 10 – Fund Balance for All Funds Maintained by the Village



MERS PENSION FUNDING

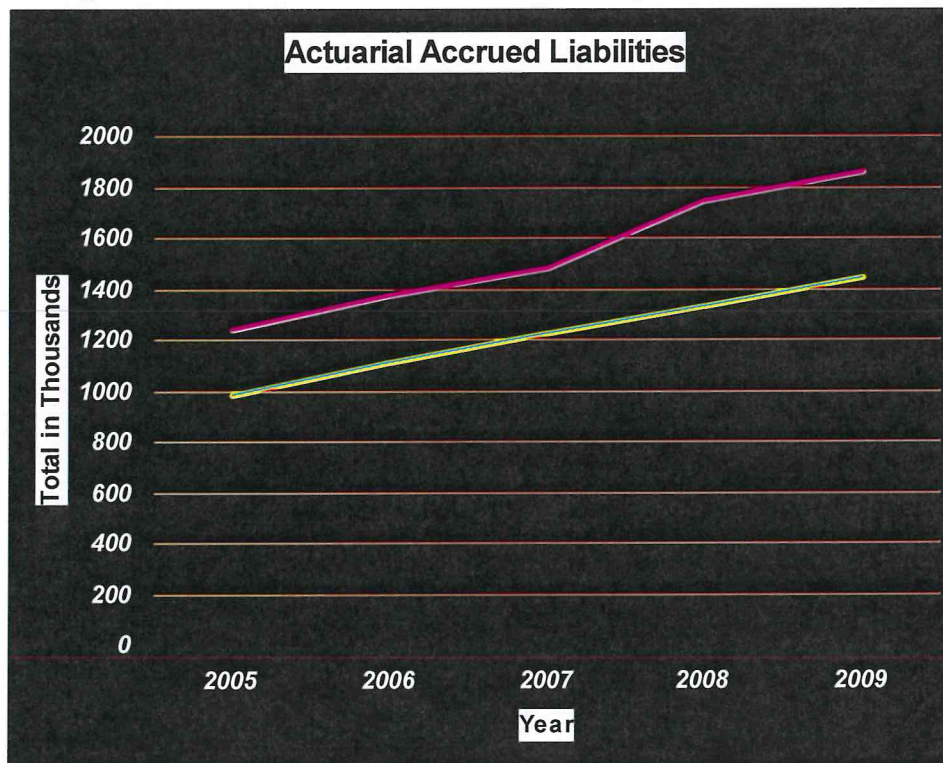
The Municipal Employee's Retirement System (MERS) maintains the Village's pension plans for its employees. Table 9 represents the comparative schedule of the actuarial accrued liabilities for the MERS-administered plan. As shown this plan is 78% funded (\$1,445,000) and 22% unfunded (\$410,000). These numbers are current as of 12/31/2009.

Table 9 – MERS Pension Plan

Pensions						
Date of actuarial valuation:		12/05	12/06	12/07	12/08	12/09
	Assets	984	1,108	1,223	1,330	1,445
	Actuarial Liability	1,234	1,371	1,477	1,747	1,855
	Unfunded (Overfunded)	250	263	254	417	410
	Percent funded	80%	81%	83%	76%	78%

Diagram 11 below offers a visual depiction of these liabilities and assets. The purple line denotes the entirety of the actuarial liability. The green line denotes the current valuation of assets. The space in between the two lines represents the unfunded liability.

Diagram 11 – Actuarial Accrued Liabilities (MERS-Administered)



OPEB (OTHER POST-EMPLOYMENT BENEFITS) FUNDING

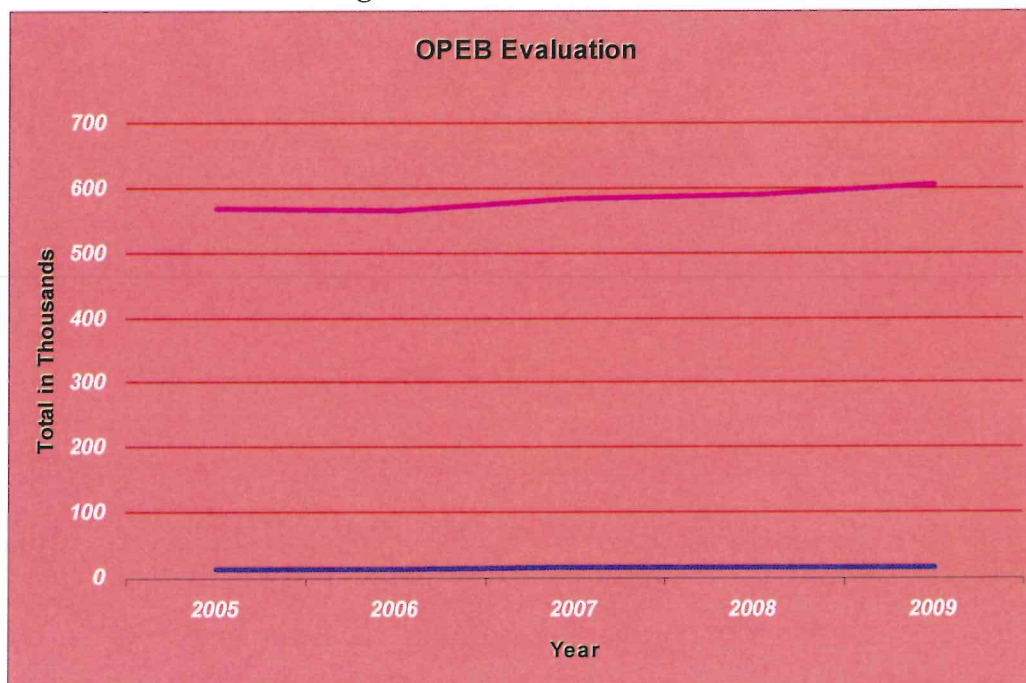
Village employees who obtain 30 years of service are eligible to receive retiree health care benefits. Currently, the Village is in the process of ascertaining how it can best plan for these expenses, particularly as a larger number of employees approach retirement age. At the present time, however, the Village has currently been funding retiree health care expenses out of its general fund.

Table 10 – OPEB Assets and Liabilities

OPEB (Other Post Employment Benefits)		12/05	12/06	12/07	12/08	12/09
	Assets	14	14	15	16	16
	Actuarial Liability	568	564	585	588	605
	Unfunded (Overfunded)	554	550	570	572	589
	Percent funded	2.5%	2.5%	2.6%	2.7%	2.6%

Diagram 12 below offers a visual depiction of these liabilities and assets. The purple line denotes the present value of the OPEB obligations. The green line denotes the current valuation of assets. The space in between the two lines represents the unfunded liability.

Diagram 12 – OPEB Evaluation



RECOGNITION OF UNFUNDED LIABILITIES

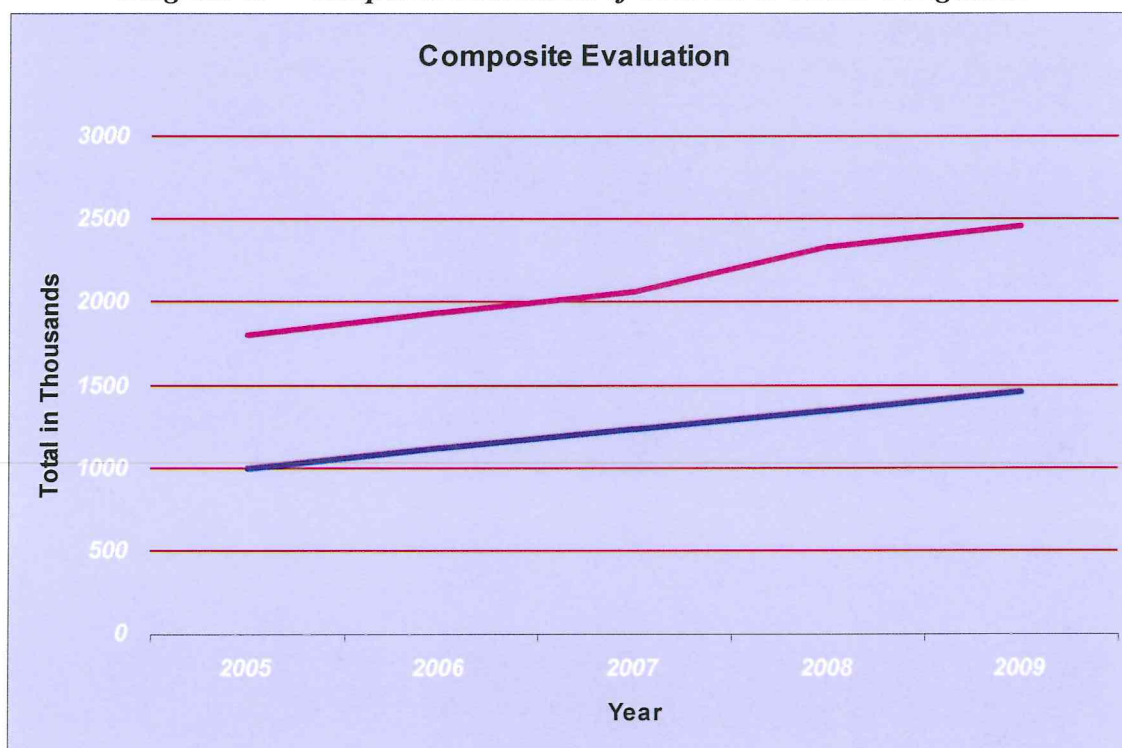
Table 11 below summarizes the composite impact of both the MERS-administered pension plan as well as the current OPEB obligations of the Village.

Table 11 – Summary Evaluation of Pension Plans and OPEB Obligations

Pension Plan and OPEB Obligations						
Date of actuarial valuation:		12/05	12/06	12/07	12/08	12/09
Assets		998	1122	1238	1346	1461
Actuarial Liability		1802	1935	2062	2335	2460
Unfunded (Overfunded)		804	813	824	989	999
Percent funded		55%	58%	60%	58%	59%

Alternatively expressed, Diagram 13 offers a visual depiction of these obligations.

Diagram 13 – Composite Evaluation of Pension & OPEB Obligations



BONDED INDEBTEDNESS AND CONTRACTS OF THE VILLAGE

Due to the need for the Village to maintain high-quality services for its water and sewer operations and to invest in the critical infrastructure of the Village, it is occasionally necessary to incur debt that must be repaid over an extended period of time.

Listed below in Table 12 are the general obligation bonds and contracts for which the Village is liable:

Table 12 – Current Bonds and Contracts of the Village of Almont

Bond/Contract	Year of Issuance	Year of Last Payment	Total Principal Outstanding	Total Interest Payable
Water Supply System Improvement Bond	1996	2015	\$385,000	\$59,080
Water Tower Project Bond	2007	2028	\$1,862,694	\$381,908
WWTP Improvement Project Bond	2002	2022	\$1,590,000	\$506,049
DDA Pocket Park Contract	2004	2014	\$86,157	\$7,966
<u>Accumulated Totals</u>			<u>\$3,837,694</u>	<u>\$955,003</u>

In analyzing these long-term bonds and contracts, it should be noted that the per capita liability for the total principal outstanding on these bonds is approximately \$1435.19. Table 13 below lists the 5 year history of the Village's bond and contract obligations.

Table 13 – Total Bond and Contract Obligations

<i>Year</i>	<i>Total Obligations</i>
<i>2011</i>	<i>\$3,837,694</i>
<i>2010</i>	<i>\$4,107,413</i>
<i>2009</i>	<i>\$4,351,456</i>
<i>2008</i>	<i>\$4,107,795</i>
<i>2007</i>	<i>\$2,665,684</i>

From an investment standpoint, the Village of Almont has always faithfully honored its obligations to its bond holders and has issued full and timely payments.

DEBT BURDEN PER CAPITA

Diagram 14 below displays the basic debt burden per capita, based upon the Village's annual bonded indebtedness and obligations.

Diagram 14 – Debt Burden Per Capita

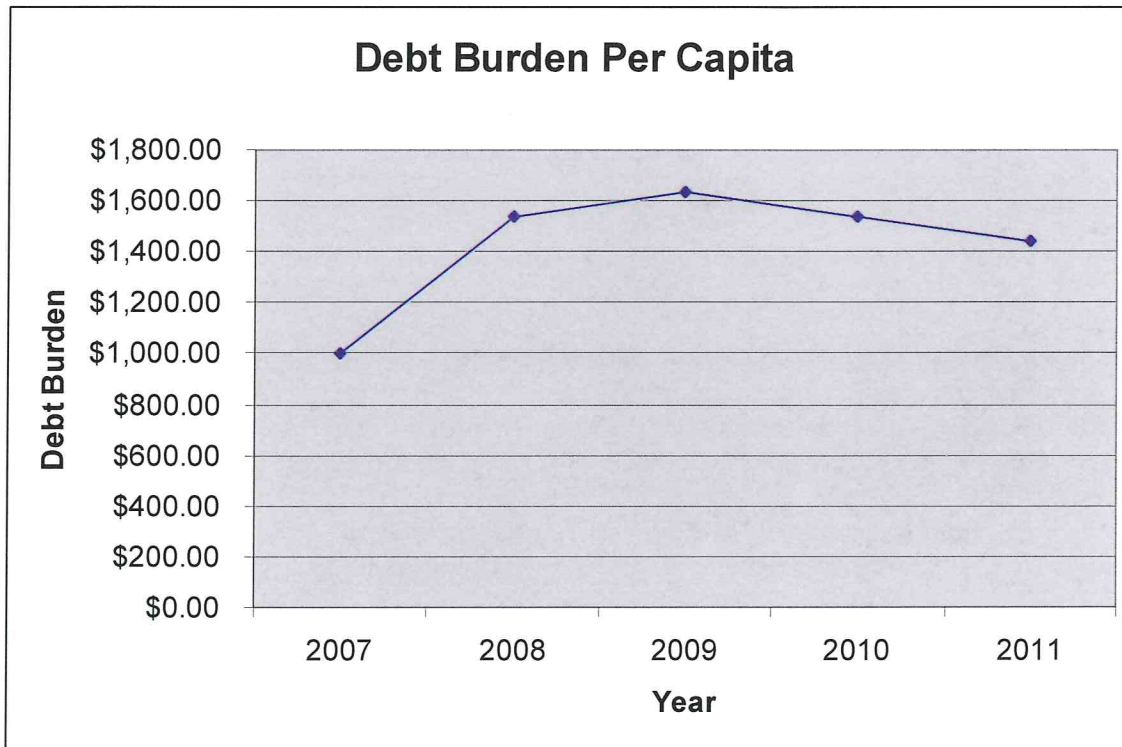


Table 14 below offers a more detailed examination of the annual debt burden per capita for 2007 – 2011.

Table 14 – Debt Burden per Capita

Year	Total Obligations
2011	\$1,435.19
2010	\$1,536.05
2009	\$1,627.32
2008	\$1,536.20
2007	\$996.89

It should be noted that the large jump between 2007 and 2008 was due to the issuance of bonds to finance the construction of the Village's new water tower.

DEBT ISSUANCE LIMITATIONS

Section 26 of the Home Rule Village Act (1909 PA 278) maintains that municipalities may not issue debt in excess of 10% of their SEV except for highly specified situations. Because the 2011 SEV of the Village \$57,835,400 the debt issuance limitation for the Village is \$5,783,540.

As displayed in Table 13, the current indebtedness of the Village is \$3,837,694. This means that the Village has issued 66.35% of the debt allowed by this limitation and that it could issue an additional \$1,945,846 in debt in order to finance major projects.

SOURCES AND REFERENCES

Village of Almont – Annual Audits (2006-2010) – Prepared by Lehn L. King (CPA)

U.S. Census Bureau